

WORKERS COMPENSATION BOARD OF INDIANA

**2011 SECOND INJURY FUND
CALCULATION OF FUNDING LEVEL**

December 29, 2011

Please note the assessment can be paid in two installments.

The due dates are:

Jan 31, 2012

June 15, 2012



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

Linda Peterson Hamilton, Chairman

WORKERS COMPENSATION BOARD

402 West Washington Street, Room W196

Indianapolis, Indiana 46204-2753

Telephone: (317) 232-3808

<http://www.in.gov/workcomp>

SECOND INJURY FUND REPORT

By the Chair

AND ASSESSMENT FOR 2012

December 28, 2011

As 2011 draws to a close, I am happy to report three items of good cheer. The number of injuries in the workplace continued to decrease; this year by 20%. The Second Injury Fund will end 2011 in the black, having never touched the prudent reserve, and the assessment for 2012 is less than the 2011 assessment.

Included with this report are the Certification forms used to calculate individual assessment obligations. These forms use numbers provided by the ICRB as well as self-insured factors taken from new and renewal applications for 2010.

Historical data regarding Fund payouts can be found on the last page.

The 2011 assessment brought in approximately \$180,000 more than the Board's analysis had predicted. Using two year old data drawn from recessionary employment factors makes it difficult to pinpoint the exact numbers necessary to meet the annual needs of the Fund, and we wanted to avoid a repeat of the assessment shortfall of 2010. We also overestimated both indemnity and prosthetic costs for 2011, neither of which grew as quickly as predicted. Combined, these factors lead to a Fund balance of more than \$2,000,000 at year end.

While we expect indemnity payments from the Fund to continue their upward trend as more injured workers are added to the roll, the cost of prosthetics in 2012 should not increase over that of 2011. Replacement of prosthetics is a

cyclical expense of the Fund, and next year is not expected to be one of high demand.

The first of five installments of the Fund's loan repayment to the Board's Supplemental Fund occurred at the end of 2007, and the second in 2011. The administrative expenses included in the assessment will also be taken out for the very first time this year. Legislative changes in 2011 cleared up the discrepancy in the law which had prohibited the Board from withdrawing administrative expenses and loan payments for several years. The loan should be repaid in full with the 2014 payment. The past 4 years of administrative expenses, although included in each assessment, are deemed forgiven.

The administrative costs included in the 2012 assessment are the same as those used for the previous 4 years' assessments; \$42,000. However, the Board has begun tracking the quarterly time commitment of each staff member who works on SIF issues, as well as the number of hours expended by the Attorney General's office in defending the Fund before the Board and in the Court of Appeals and Supreme Court of Indiana. It is expected that the administrative expense factor of the assessment will rise sometime in the future, as it will more accurately reflect the cost of administrating the Fund. However, at this time, we are simply gathering data.

Payments will again be due on January 31st and June 15th if you choose to use the installment option. No reminder will be sent before the due date.

Please call Mary Taivalkoski or me if you have questions or comments regarding the assessment, report, or the Fund.

Wishing you good health, happiness, peace and prosperity in the 2012.

Yours very truly,

A handwritten signature in cursive script that reads "Linda Hamilton".

Linda Peterson Hamilton

2nd INJURY FUND REPORT

December 28, 2011

(reported in dollars)

Available Fund Balance 12/31/10	2,114,575
Revenue from 2011 Assessment	<u>+5,253,848</u>
Total Available Monies 2011	7,368,423
<u>Expenditures 2011:</u>	
Indemnity	4,375,287
Prosthetics	585,801
Loan	192,400
Administrative Fees	42,000
SWCAP-Statewide Cost Allocation Plan*	<u>108,874</u>
Total	5,304,362
Available Fund Balance 12/28/2011	2,064,061

2012 Assessment Factors

Indemnity (3 months indemnity)	1,093,822
Prosthetics (3 month avg. expense)	<u>146,450</u>
Total Prudent Reserve	1,240,272
<u>Estimated Expenditures</u>	
Indemnity	4,550,298
Prosthetics	609,233
Loan	192,400
Administrative Fees	42,000
SWCAP-Statewide Cost Allocation Plan	<u>110,000</u>
Proposed Need	6,744,203
12/16/2011 Available Fund Balance	-2,064,061
Final Assessment Amount	4,680,142

* **7.4.2.1 State-Wide Cost Allocation Plan (SWCAP)** The State Budget Agency annually prepares the "State-Wide Cost Allocation Plan" which accumulates the state-wide costs, allocating them across all State agencies. The dedicated fund share of the state-wide direct cost is to be paid to the State Budget Agency to reimburse the State's General Fund for costs incurred by the State in relation to all dedicated fund programs.

Reported and Historical Data Utilized in Assessment of Fund

(reported in dollars)

Reported by ICRB for 2010	
Total Losses Paid	427,048,000
Total Premiums Written	616,420,000

Reported by ICRB for 2009:	
Total Losses Paid	424,767,000
Total Premiums Written	620,459,000

Reported by ICRB for 2008:	
Total Losses Paid	436,611,000
Total Premiums Written	710,109,000

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|                            |            |
|----------------------------|------------|
| Self-Insured Factors 2010  |            |
| Total Indemnity Paid       | 15,183,200 |
| Total Medical Paid         | 46,292,957 |
| Total Self Insured Factors | 61,476,157 |

|                            |             |
|----------------------------|-------------|
| Self-Insured Factors 2009: |             |
| Total Indemnity Paid       | 17,300,704  |
| Total Medical Paid         | 41,700, 782 |
| Total Self Insured Factors | 59,001,486  |

|                                |            |
|--------------------------------|------------|
| Self-Insured Factors 2008:     |            |
| Total Indemnity Paid           | 17,686,744 |
| Total Medical Paid             | 48,563,961 |
| Total Self-Insured Losses Paid | 66,250,705 |

**Historical Second Injury Fund Data re.  
Total Expenditures Reported By the WCB**

**(reported in dollars)**

|              |           |
|--------------|-----------|
| Jan/Dec 2010 |           |
| Prosthetics  | 561,247   |
| Indemnity    | 4,227,113 |
| <br>         |           |
| Jan/Dec 2009 |           |
| Prosthetics  | 624,711   |
| Indemnity    | 4,099,537 |
| <br>         |           |
| Jan/Dec 2008 |           |
| Prosthetics  | 527,506   |
| Indemnity    | 3,413,452 |
| <br>         |           |
| Jan/Dec 2007 |           |
| Prosthetics  | 539,340   |
| Indemnity    | 3,539,032 |
| <br>         |           |
| Jan/Dec 2006 |           |
| Prosthetics  | 246,604   |
| Indemnity    | 3,432,705 |